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ARIZONA CORPORATION COMMISSION

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January 22, 2007

Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Mike Gleason
Commissioner Gary Pierce

Re: Proposed Special Open Meeting on Natural Gas Storage and Winter Natural Gas Prices; Proposed Winter Preparedness Meetings

Dear Colleagues:

I write in support of Commissioner Mundell's proposal to conduct a Special Open Meeting on natural gas issues. In his January 18, 2007 letter, Commissioner Mundell proposes a number of topics for discussion. While I welcome these suggestions, I would be especially interested in hearing from the state's natural gas and electric utilities on their efforts related to storage and infrastructure and receiving an update on current natural gas prices.

Of particular interest to this Commission is a proposal by El Paso Natural Gas Company ("El Paso") to build natural gas storage in Pinal County because of the potential of storage to shield customers from erratic and costly swings in the price of natural gas. While the project was announced in the summer of 2006, no applications for pre-approval of costs associated with building the storage facility have been filed at the Commission by a regulated utility – the would-be customers of storage – and El Paso has apparently not completed technical work associated with the project. I believe the Commission should ask for a comprehensive update from El Paso, Arizona Public Service Company, Southwest Gas Corporation, UniSource Natural Gas Company, Tucson Electric Power and the Salt River Project on progress being made to implement a natural gas storage facility in our state and the estimated time of completion of the project.

I also concur with Commissioner Mundell's proposal to conduct annual winter preparedness meetings with Arizona's natural gas utilities, especially Southwest Gas and UniSource, to discuss their winter planning as well as winter natural gas prices. An annual winter meeting is particularly necessary in light of the fact that natural gas companies in Arizona now possess adjuster mechanisms which allow the near automatic pass-through of gas costs to customers. This winter, the Commission noticed that UniSource's adjuster mechanism was collecting too much from customers and reacted appropriately by lowering the company's surcharge. A winter meeting would afford the Commission the regular opportunity to make sure that companies are not over-collecting from customers. And a recent incident in which more than 6,300 Southwest

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Gas customers experienced outages during a cold snap suggests the need for the Commission to receive more routine updates from these companies on their ability to meet both the state's unparalleled growth and extreme weather conditions.

I would propose that the Commission set aside an entire day to discuss these important matters, and I look forward to further discussing this proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kris Mayes', with a stylized, cursive script.

Kris Mayes
Commissioner

Cc: Brian McNeil
Ernest Johnson
Chris Kempley
Heather Murphy
Jim Pignatelli
Jeffrey Shaw
Jack Davis
Richard Silverman
Peter Jaskoski